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"Trade Adjustment Assistance", Peterson Institute for International Economics

Max S. Baucus

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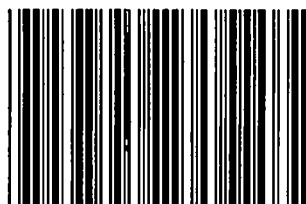
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BAUCUS

Trade Adjustment Assistance
Remarks Before the Peterson Institute for International Economics
By Senator Max Baucus
January 30, 2008

Thank you, Fred, for that kind introduction.

You and the people of your institute have been terrific over the years. We are lucky to have been able to collaborate on so many different issues.

I also want to thank Howard Rosen for his tireless contributions to the Trade Adjustment Assistance program. He has kept the fire burning on TAA in its darkest moments. Thank you, Howard. You have done a great service to this country.

THE PROMISE OF OPPORTUNITY

A hundred years ago, riding the new tracks of the Great Northern railway, opportunity called thousands of homesteader families to the Montana territory. The Enlarged Homestead Act of 1909 encouraged their ambition. It promised them opportunity. With hundreds and thousands of miles behind them, these homesteader families arrived to see Montana's endless horizons of open land and rich hills before them. That land, too, promised opportunity.

With these many promises, homesteaders came to Montana to make it their home. Yet only their persistent deeds and hard work kept them there. Every homesteading family knew that no matter who or what promised success, only their diligent work could realize it.

Like those pioneering families, many in America are today lured by the promise of opportunity on a global scale. Vast economic horizons beckon, from Latin America to Southeast Asia. We see opportunity from the expanding middle classes of developing China and India, to the resurgent developed economies in Europe. We see promise in trade in agriculture, manufactured goods, and services.

Yet today, as in 1909, the promise of opportunity means little, if we don't work to realize it.

For every homesteader family, realizing these opportunities required a series of tireless tasks. Virgin plots were surveyed, irrigation sought, soil fertility gauged. With the right plot found, homesteaders burned prairie grass and cleared every rock. Only then and no sooner could they till the soil, beginning another series of tasks to plant, raise, and harvest their crop, and find a market.

Every task had a time. Each job had a purpose. Any single task poorly executed or badly timed could jeopardize a year's work, and with it, any promise of opportunity.

As it was with Montana's homesteaders, so it is today. Realizing our global economic opportunities and pursuing America's trade agenda requires a series of tasks. Each properly timed and properly executed. We have our land to clear, our soil to till, our harvest to keep. But success tolerates no skipped steps or half measures. That was true on Montana's frontier. And it's true in our nation's economic agenda.

A TASK UNFINISHED

Today, a crucial task remains unfinished on the trade agenda. It is a task that will reinforce the hard work that we have done in the past. And it is a task that will sow the seeds for future successes. Done thoroughly and thoughtfully, it will help us to realize the opportunities we seek and those we have promised American workers, farmers, and ranchers.

This task is the passage and implementation of a robust reform of the Trade Adjustment Assistance program.

We have the opportunity today to make sure that Trade Adjustment Assistance matches the ambition and flexibility of our workers. We have the chance to reform the Trade Adjustment Assistance program in a way that recognizes our workers' potential and anticipates their needs. We have the obligation to reform TAA to enhance what works and to change what doesn't.

Our task is to adopt and implement a Trade Adjustment Assistance program that reflects the 21st century global economy.

Let me be very clear. This task, and no other, must be our nation's trade policy priority. Until we accomplish it, other issues on today's trade agenda must take the back seat. That includes congressional consideration of pending free trade agreements with Colombia, Korea, and Panama. I simply cannot support, or consider moving these agreements in the Senate, until we realize the goal of an expanded and reauthorized Trade Adjustment Assistance.

GLOBAL OPPORTUNITIES

Americans recognize the opportunities of the global economy. And they want to seize them.

Americans know that 95 percent of the world's consumers live outside our borders, including growing consumer classes in Asia and Europe.

They see that international trade is a growing part of our economy. They see that our exports to major global markets grew by more than 20 percent last year. And they see that export growth has been a rare bright spot in our economic picture. They understand that trade can enhance our comparative advantage and lower prices of consumer goods. Looking to the future, 40 per cent of today's entrepreneurs expect a quarter of their customers to come from abroad.

In Montana, 2 out of every 3 bushels of wheat harvested are exported to Asia. Exports of Montana beef are critical to keeping ranches profitable.

The promise of these global economic opportunities is undeniable. We must work to realize them. Yet to succeed, we can skip no task. And we must use every tool. Success will come when every task is properly done, at the proper time, with all of our energy and creativity.

For too long, this administration has used scarce resources in a singular pursuit of free trade agreements, casting aside other trade policy tools. Too often, these agreements had little commercial gains. But they had a high political price.

Robust policies abroad, like free trade agreements, must go hand in hand with vigorous and innovative economic policies at home. Trade policy is not just about economics. It is as much about the workers that drive our economy.

Support for globalization and international trade is at a low. One survey revealed that nearly half of Americans believe that free trade agreements hurt the United States, and 40 percent believe the global economy hurts their communities. Polls show that nearly 60 percent of Americans think that an increasingly global economy is bad for American jobs. Nearly two-thirds think trade hurts American workers.

We can rebuild American support for trade only if we turn our trade policy away from this singular focus on trade agreements. We must concentrate not only on closing trade deals, but also on closing the gap between globalization's haves and have-nots.

We must labor toward a trade policy that lowers trade barriers overseas. But we must also forge a policy that builds a broad trade consensus at home.

We must seek certainty and fairness for our companies operating in foreign markets. But we must also pursue certainty and fairness for workers at home in America.

THE NEXT STEP: TAA

This is why, as Chairman of the Senate Finance Committee, I believe that the task before us must be comprehensive reform of Trade Adjustment Assistance.

For four decades, TAA has helped American workers caught up in the tides and crosscurrents of globalization. As the wave of globalization gathers strength, Trade Adjustment Assistance must have equal vigor. Four major reforms are indispensable.

First, we must expand TAA to benefit service workers. Services comprise 80 percent of our economy. Our global services exports are second to none. But TAA is stuck in the manufacturing age.

Trade Adjustment Assistance doesn't reflect today's economic realities. And that isn't just an anachronism. It's an embarrassment.

Second, we must expand TAA to include workers whose firms have outsourced production to countries that are not free trade agreement partners. This restriction in current law is another remnant of the past. It makes little sense.

Last year, some of our fastest-growing export markets were India, Brazil, and Germany. We have free trade agreements with none of these countries. America's trade is not confined to a small group of FTA partner countries. So the benefits to workers under TAA should not be confined that way, either.

Third, we must expand the health care tax credit. Six years ago, when I was last Chairman of the Finance Committee, I worked hard to include a health care tax credit in the TAA program. That credit currently pays for 65 percent of a healthcare premium.

That was a good start. But 6 years of experience tells us that we have to do more.

The current health care tax credit requires unemployed workers to pay an even bigger share of their health insurance premium than when they had a job. It's clear why unemployed, TAA-eligible workers have not made use of the tax credit. They cannot afford it. Current law requires these unemployed workers to pay more for their health insurance than they did when they had a job.

TAA must help workers to mitigate their health care costs. It should ease their transition to their next job. That's why we must expand the existing health care tax credit from 65 to 85 percent. It's not just good policy. It's the right thing to do.

Fourth, we must increase the training funds available to workers. Current law caps this amount at \$220 million per year. As a result, several states have run out of training funds mid-year. That shuts out TAA workers eligible for long-term training.

We need to double the current cap and reset it at \$440 million. The best way to honor our workers' abilities is to offer them the opportunity to retool, retrain, and get back to work. Displaced workers don't want charity. But they do want a chance at a fresh start. Expanding retraining funds is the best way to invest in America's competitive workforce and give them that chance.

Finally, we can make other improvements to the TAA program. We can allow trade-affected communities to benefit from targeted assistance. We can also make the TAA for Firms and TAA for Farmers and Fishermen programs more accessible and adaptable to today's market realities. And we can make wage insurance and training benefits complement each other — rather than crowd out each other.

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I am confident that once we finish our work for comprehensive Trade Adjustment Assistance reform, we too will be able to look to the next step, the new horizon, and another success. I hope that you will join me in this work today, and help realize greater success tomorrow.

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Economic Stimulus Bill
Senator Floor Statement of Senator Max Baucus
January 30, 2008

Mr. President, the Psalmist prayed:

“Do not cast me off when I am old;

Do not forsake me when my strength fails.”

**And that’s really the question before us
today. Will the Senate cast off 20 million seniors?
Will the Senate forsake 20 million of the neediest
Americans?**

**A vote for the Finance Committee substitute
is a vote for 20 million seniors. They have worked
hard all their lives. They have paid taxes for a
lifetime. They contribute to the economy today.**

But the underlying House-passed bill would not give them a stimulus check. The House bill gives checks only to the more affluent seniors whose incomes are high enough that they pay taxes now. The House-passed bill would not give a stimulus check to seniors who were scraping by on Social Security income alone and had no tax liability.

But these 20 million seniors have given a lifetime of labor. They have given a lifetime of service. They have paid a lifetime of taxes.

But the House-passed bill would not give them a stimulus check.

Think of the grandmother who needs money for food and medicine. When America's economy is slowing down, times get tougher for her, too. Prices for food, gasoline, and home heating oil have skyrocketed right before her eyes.

And for many of our nation's senior citizens, their only source of funds for these necessities is in that once-a-month envelope from Social Security. And any Social Security beneficiary will tell you that she has not seen the amount of her check increase enough to cover today's rising costs.

That's just one reason why, when Congress acts on an economic stimulus package this week, we should insist on a \$500 tax rebate for 20 million lower-income seniors who can use this money now.

But a rebate for seniors is no feel-good measure. Rebates for 20 million more seniors will help our economic stimulus package work better. Seniors are among the Americans most likely to spend a refund right away and pump cash back into the economy.

According to the Bureau of Labor Statistics, Americans over age 65 are responsible for 14 percent of all consumer spending. People over 65 spend 92 percent of their yearly incomes. People over age 75 spend 98 percent of their incomes. That's higher than any other demographic group over the age of 25.

Seniors will spend a stimulus check right away. And that will make that stimulus check all the more effective in helping the economy.

The Senate needs to do the right thing by seniors, and by the American economy. We should extend a tax rebate to 20 million senior citizens living on Social Security.

The Finance Committee substitute will help 20 million seniors who were left out of the House bill. The Finance Committee amendment will provide seniors with rebate checks of \$500.

What's more, the Finance Committee amendment helps disabled veterans with rebate checks.

The House bill does not provide low-income disabled veterans with rebate checks. The Finance Committee amendment provides low-income disabled veterans with rebate checks of \$500.

And what's more, the Finance Committee amendment helps people who have lost their jobs.

The Finance Committee amendment provides an additional 13 weeks of unemployment insurance. And high-unemployment states will qualify for an extra 13 weeks.

The House bill does not provide an extension of unemployment insurance. There are almost a million more unemployed Americans than there were a year ago.

CBO found unemployment insurance to have a large bang-for-the-buck. It acts quickly to boost the economy. Economy.com found that each dollar spent on extended UI benefits would generate \$1.64 in increased economic activity.

The bipartisan stimulus bill enacted after 9/11 included an unemployment insurance extension. President Bush signed that extension. We should pass another extension again today.

And what's more, the Finance Committee amendment helps American businesses that need help.

The Finance Committee amendment would extend the carry-back period for net operating losses from 2 years to 5 years. Generally, a cyclical business has profitable years followed by loss years. During a loss period, a company will carry back the net operating losses from the loss years to the prior profitable years. And they will file a quick refund claim. The quick refund claim acts as a cash infusion that allows a company to survive a loss period.

The housing industry would greatly benefit from an increased carry-back period. The expanded period would allow builders to avoid selling land and houses at distressed prices. Additionally, it would enable less-costly financing, improving business conditions for the eventual return of the housing market.

And the expanded period would give the housing industry cash to meet payroll. That would stop additional job losses. The National Association of Manufacturers has written in support of the Finance Committee's net operating loss proposal.

Those are all good reasons to vote for the Finance Committee substitute. It would help disabled veterans. It would help unemployed Americans. It would help businesses struggling with the business cycle.

But I start where I began. The biggest difference between the Finance Committee substitute and the underlying House bill is 20 million seniors. A vote for the Finance Committee substitute is a vote for 20 million seniors.

Senators should not cast them off. Senators should not forsake them.

Rather, let us recognize their lifetimes of labor. Let us recognize their key role in stimulating the economy. And let us pass the Finance Committee substitute, for those 20 million seniors.